



## Trends and Best Practices in Electronic Payments



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Over the last year, we have seen a fundamental paradigm shift in the strategies and priorities of our clients across the spectrum.

Credit constraints have affected access to capital and liquidity, which has inspired treasurers to examine their current processes and execute more judicious management of internal resources – including more efficient use of funds that reduce reliance on external funding.

In alignment with those efforts, businesses are increasingly focused on opportunities to optimize working capital and extract liquidity otherwise trapped internally within the business cash conversion cycle. Many organizations have identified such opportunities in the supply chain management and payables areas of their operations.

In today's increasingly competitive business environment, it has become clear that the inefficiency and costs of total reliance on legacy payment systems warrant a thorough review. In fact, the average cost of manually processing a transaction is 44% higher than the cost of sending a transaction through an automated system. Many forward-thinking organizations have recognized the monetary and operational benefits of replacing traditional payments with predominantly electronic payment solutions. However, as businesses dive deeper into their financial supply chain strategies, they are discovering opportunities to leverage

automation to not only contain costs, but also reduce process cycle times, better monitor and manage spend, prevent fraud and misuse, capture vendor discounts and build stronger vendor relationships.

Despite the benefits of automation, several barriers have prevented businesses from implementing advanced supply chain solutions. These challenges have included integration with existing accounting systems, vendor acceptance, managing the supplier enrollment process and delivery of remittance data.

To address these challenges, Citi has developed a comprehensive portfolio of electronic payment solutions that integrates seamlessly with our clients' existing systems, while continuing to provide efficient end-to-end processing for legacy and residual paper-based payments. Whether you simply switch to e-payments or use them as a springboard for wider organizational change, Citi can deliver an e-payment solution to reduce costs, increase efficiency, improve visibility and enhance control.

Payments are undergoing an unprecedented period of change. Figures from research and advisory company Aite Group show that check payments in the United States will fall from 80% of all noncash payments in 2006 to an estimated 68% this year.

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# Strategic Global Solutions

Citi meets the complex needs of our clients around the world with a breadth of products, services and global resources that is unmatched in the industry.

Because our payment solutions are fully integrated into Citi's suite of market-leading treasury and trade solutions, the scope of services available to our clients extends far beyond those offered by competitor banks.

When organizations choose Citi, they benefit from a vast portfolio of strategic payment solutions to effectively manage working capital, streamline and automate processes, and generate bottom-line results. Our customized modular solutions will provide your organization with the tools to address critical business needs and the flexibility to expand your program with complementary solutions.

There are a number of options open to clients wanting to move from paper-based to electronic payments, including automated clearing house (ACH) payments, commercial cards, prepaid cards and end-to-end solutions like Citi® Procure to Pay.

Citi is a high-volume processor for all payment types – and is the only bank that can offer ACH, prepaid cards and commercial cards globally – so we can offer a one-stop shop with the benefits of economies of scale, whatever payment method you choose. At Citi, we work with our clients to understand their strategic long-term objectives, identify opportunities for improvement and implement solutions that allow them to capitalize on immediate cost savings and achieve sustained efficiency to drive long-term growth. Our financial supply chain solution, Citi® Procure to Pay helps organizations unlock cost savings, manage cash more strategically and achieve significant operational efficiencies.

“Payments can be used to deliver additional value, be it strategic, financial or operational. We approached Citi to help our organization move from thinking of payments as individual products to more of a process. We are now optimizing payments, benefiting from the dynamic between time-to-procure, remittance date and settlement date.”

– Global Corporate Client

The consulting company Aberdeen found that “best-in-class” organizations that holistically address and deploy payables solutions that automate the Procure to Pay process have realized the following substantial benefits:

- Invoice processing cost reductions of 30% - 60%
- Processing cycle time reductions of 65%
- Increase in on-time payments earning discounts up to 500%
- Reduce time responding to supplier inquiries by 30%
- Reduce error rates by 44%

## Citi® Procure to Pay

Citi® Procure to Pay is an end-to-end financial supply chain solution that automates the collective set of accounts payable processes – from purchase order to supplier payment and reconciliation – to allow businesses to realize incremental value through operational cost savings, working capital optimization and improved audits and controls.

By bringing together the upstream purchase order and invoice processes with Citi's world-class settlement systems, Citi® Procure to Pay helps organizations automate inefficient, paper-intensive activities across the full “order-to-pay” cycle. This sophisticated solution will allow you to expand your existing card program, streamline vendor payments and leverage merchant discounts.

This comprehensive solution adds value to both sides of the supply chain:

- Eliminates paper-based invoicing and payment systems resulting in reduced costs and cycle times
- Optimizes working capital by capturing more discounts, increasing Purchasing Card rebates and using Citi® Supplier Finance to manage payables

- Manages suppliers through one of the largest global supplier networks and ensures compliance for Procurement
- Decreases costs for IT while extending the capability of ERP systems

Leveraging one of the largest supplier networks in the world, businesses can execute seamless transactions through a single portal – to strengthen existing relationships with valued suppliers and find new business opportunities. In addition, Citi's supplier finance programs help organizations support their key suppliers' working capital needs, while realizing an uninterrupted supply flow.

Citi® Procure to Pay is available as three distinct modules that work independently, or together as a single, integrated solution. Key components include:

- Electronic Invoice Automation
- Electronic Payments
- Working Capital Services

"Citi® Procure to Pay is simple, secure and easy to implement because it leverages your existing processes and infrastructure."

### Electronic Invoice Automation

One of the most innovative recent developments in our Procure to Pay suite of products is our new electronic invoicing and discount management engine, which helps buyers to negotiate favorable purchasing terms as a result of reduced payment approval cycle times.

By offering suppliers early payment in exchange for discounts, organizations can generate a significant risk-free cash return. Moreover, Citi operates a supplier network that makes sourcing and on-boarding new suppliers straightforward.

### Electronic Payments

#### ACH

From the payer's perspective, ACH is an ideal low-value payment solution. It offers extremely low costs in comparison to checks by eliminating paper-based processes. It also delivers faster access to cash for next-day settlement.

ACH payments are both secure and reliable with multiple levels of fraud protection and enhanced audits and controls. They also facilitate improved account reconciliation and increased spend visibility. ACH is not just for domestic payments. Our international solutions meet the needs of companies that want

to maintain accounts in multiple countries as well as those that choose to make all their payments from a centralized account.

Citi has provided high-quality ACH payment solutions for over two decades and we are committed to making ACH payments – whether domestic or international – as straightforward as possible. We offer seamless delivery of all ACH payments via a single file with flexible confirmation and return item file options. Furthermore, supplier/beneficiary bank account data can automatically be stored and appended, making payments easier.

### Citi® Commercial Cards

Commercial cards are a global solution that streamlines purchasing, T&E expense management and the entire payment process. They offer continuous tracking and reconciliation from transaction through to payment and consequently greatly improve efficiency.

Citi's cutting-edge card solutions have played an integral role in helping organizations around the world – including approximately 100 Fortune 500 companies – achieve greater integration, efficiency and control. The operational and strategic benefits afforded by our card solutions – from increased transparency to enhanced program controls – have allowed businesses to remain competitive in the face of intense economic pressure.

The success of any commercial card program is ultimately based on the utility of the card. Citi issues both MasterCard® and Visa® branded cards, enabling us to deliver the most widely accepted solutions across the globe – with cards accepted at over 30 million merchant locations and 1,500,000 ATMs in 140 countries. In addition, Citi's vast global footprint, which includes proprietary programs in 75 markets, will allow your organization to run a consistent global commercial card program across 33 currencies and 25 local languages.

### Buyer-Initiated Purchasing Card

Citi's Buyer-Initiated Purchasing Card solution delivers seamless, straight-through processing of supplier payments – connecting buyers and suppliers more efficiently and securely than ever before. This file-based commercial payments solution integrates a Purchasing Card into your accounts payable system to streamline vendor payments and deliver consistency across payment types.

Developed to meet our clients' dynamic business needs, Citi's Buyer-Initiated Purchasing Card solution has successfully merged the capabilities and benefits of a Purchasing Card with the control and consistency of a traditional buyer-initiated electronic payment process. This end-to-end commercial

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payments solution puts buyers in control of their payments – and will enable your organization to use a Purchasing Card to make vendor payments with the efficiency of an ACH.

### **Citi® Virtual Card Accounts**

Citi® Virtual Card Accounts are a secure electronic solution for post-invoice payments and “card-not-present” transactions made via the Internet, phone or mail order. This next-generation payment solution – designed to provide greater security, flexibility and control – generates unique “virtual” card numbers for specific transactions, allowing administrators to dynamically set spending and reconciliation controls on individual Virtual Card Accounts. With up to 30 user- configured data fields associated with each account, this solution can be customized to meet the unique needs of your organization.

### **Citi® Prepaid Services**

Prepaid cards are an electronic card alternative to checks that enables the user to withdraw cash or pay for purchases up to a predetermined limit. Payments are made using existing card technology like a standard debit or credit card and may be CHIP and PIN enabled.

Cards are used to withdraw cash from ATMs or make purchases from retail outlets that are a part of the Visa or MasterCard network. Funds must be preloaded onto the card and there is no option to exceed the loaded balance or draw on credit. They can be reloadable or disposable.

Citi® Prepaid Services, the preeminent provider of prepaid cards, is a cornerstone of our advanced suite of payment solutions. Since 1997, we have issued millions of prepaid payment cards to the world's most prominent organizations. Today, more than 1,400 different organizations are using our innovative payment products to meet their core objectives. In addition to driving efficiency and cost savings, our one-time and reloadable prepaid cards have helped organizations across nearly every industry segment reduce their paper output and carbon footprint. Collectively our clients have saved more than 5,000 trees every year, removing thousands of kilograms of carbon dioxide from the air and eliminating tons of waste water.

Citi® Prepaid Services provides clients with comprehensive electronic payment programs that can save up to 80% of the costs associated with paper payments, enhance operational efficiencies and provide an unmatched user experience. There are multiple uses of prepaid cards including compensation, promotions, sales incentives, benefits and disbursements. With prepaid cards, your recipients no longer need to spend the time or money cashing paper checks, and instead benefit from greater access, control and flexibility over their funds.

Your organization benefits from a complete turnkey solution that increases financial and operational efficiencies and drives measurable results.

### **Citi® Working Capital Services**

More and more treasurers are moving away from a siloed approach to managing procurement payment cycles and payables working capital. Instead they are relying heavily on holistic solutions that provide enhanced visibility, control and centralization, to drive operational efficiency and optimize their working capital as a source of affordable, available funding.

While our goal may be to eliminate the use of paper checks in order to maximize efficiency, we accept that some payment recipients, for example, may be unwilling to accept any alternative to a check. Our integrated solutions can offer users the choice of check, ACH or prepaid card so it can serve both banked and unbanked recipients.

Most importantly, that choice by recipients does not come at a cost to your efficiency or simplicity of use. For example, Citi can manage the process in its entirety, including the design and operation of a website portal associated with a recipient selecting a payment method. We also offer end-to-end outsourcing of your residual check and remittance data printing requirements to enable you to leverage the economies of scale from a bulk processor like Citi as your own individual volumes make it cost prohibitive to support in-house operations.

At the same time, the electronification of your payment process – and its management by Citi – provides crucial information, such as the ability to track funds, which would not be available if only paper checks were issued. We appreciate that the move from paper-based payments to electronic low-value payments is a complex one with multiple decisions about which payment methods to select and how to work with different suppliers.

That is why Citi has invested significantly in an analytics tool that is at the heart of our e-payments offering. We will take a broad approach in examining your organization's payments using our robust, proprietary analytics solution, and provide specific, fact-based recommendations on which solutions will provide the greatest benefits to your organization. Our analysis is based on historical data from our extensive experience, but will be tailored to reflect your supplier relationships, internal controls and the characteristics of your balance sheet.



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In the financial supply chain space, Citi's comprehensive solutions across electronic invoice automation, electronic payments and working capital services allow us to structure customized programs that few banks can match. No other financial institution has combined the range of solutions and consultative approach through working capital efficiencies Citi provides for our clients around the globe. And no other nonbank solution provider can offer the range of financing solutions, packaged together, and delivered together to customers that Citi can.

In addition, Citi's global presence allows our clients to manage their business and treasury functions seamlessly, transparently and with unmatched efficiency throughout the world. And, through our partnership with Ariba, we offer our clients the benefit of leveraging one of the largest supplier networks in the world. As a result, our clients can execute transactions through a single portal – to strengthen existing relationships with valued suppliers and find new business opportunities.

With analytic capabilities that surpass those of a traditional provider and the widest breadth of payment solutions, we are confident in our ability to:

- Streamline, automate and drive costs out of your operations
- Provide enhanced transparency into your organization's spend
- Help your organization mitigate risk and improve policy compliance
- Enable your organization to optimize working capital and enhance financial supply chain management

For more information about Citi's industry-leading payment solutions, please contact our payment specialists. And learn why leading corporations and public sector organizations agree – there is no bank better equipped to meet your evolving needs.

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